JPMORGAN CHASE BANK, N.A.

HONG KONG BRANCH

JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability

Key Financial Disclosure Statements

for the year ended December 31, 2023

SECTION A: BRANCH INFORMATION

I. Unaudited Income Statement

(in millions of Hong Kong Dollars)

		Year ended Dec 31, 2023		Year ended Dec 31, 2022
Interest income		5,061		1,880
Interest expense		(3,436)		(1,170)
Other operating income				
Gains less losses arising from trading in foreign currencies		190		2,240
Gains less losses on securities held for trading purposes		(31)		(2)
Gains less losses from other trading activities		874		(915)
Net fees and commission income				
Gross fees and commission income	10,294		9,183	
Gross fees and commission expenses	(436)	9,858	(628)	8,555
Others		(21)		20
Operating income		12,495		10,608
Operating expenses				
Staff costs	(4,337)		(4,155)	
Premises expenses	(612)		(626)	
Equipment expenses	(346)		(371)	
Travel & entertainment expenses	(118)		(85)	
Others	(4,138)	(9,551)	(3,770)	(9,007)
Reversal of impairment losses and provisions / (impairment losses and provisions) for impaired loans and receivables		554		(1,537)
Gains less losses from disposal of fixed assets		(8)		(1)
Profit before taxation		3,490		63
Tax (expense) / credit		(642)		166
Profit after taxation		2,848		229

II. Unaudited Balance Sheet Information

(in millions of Hong Kong Dollars)

Assets	**As at Dec 31, 2023**	**As at Jun 30, 2023**
Due from Exchange Fund	438	2,819
Cash and balances with banks	8,387	11,019
Placements with banks which have a residual contractual maturity of		
Less than or equal to one month	932	6,447
More than one month but not more than twelve months	—	28
Amount due from overseas offices of the institution	101,216	70,144
Trade bills, net of impairment allowance	608	776
Securities held for trading purposes	34	33
Loans and receivables, net of impairment allowance	105,174	157,033
Investment securities	4,953	4,570
Other investments	91	94
Property, plant and equipment and investment properties	3,928	4,196
Total assets	225,761	257,159

Liabilities		
Deposits and balances from banks	8,950	8,395
Deposits from customers		
Demand deposits and current accounts	90,604	69,955
Time, call and notice deposits	5,671	1,450
Amount due to overseas offices of the institution	24,663	33,133
Other liabilities	95,849	144,201
Provisions	24	25
Total liabilities	225,761	257,159

III. Additional Balance Sheet Information

(in millions of Hong Kong Dollar)

(i) Loans and receivables

	As at Dec 31, 2023	As at Jun 30, 2023
Loans and advances to customers	16,887	16,338
Loans and advances to banks	1,426	2,149
Accrued interest and other accounts	3,356	3,882
Derivatives receivables	84,196	135,999
Provision for impaired loans, receivables and other accounts		
- Collective provisions	(691)	(1,335)
	105,174	157,033

Impairment Allowance Policy

JPMorgan Chase & Co.'s allowance for credit losses covers the wholesale and consumer loan portfolios and represents management's estimate of probable credit losses inherent in the JPMorgan Chase & Co.'s loan portfolio as of disclosure date. Management also computes an allowance for wholesale lending-related commitments using a methodology similar to that used for the wholesale loans.

(ii) Gross amount of loans and advances to customers by major country or geographical segments

	As at Dec 31, 2023
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	6,708
China	4,586
United States	3,360

	As at Jun 30, 2023
The following countries or areas have constituted 10% or more of the aggregate gross amount of loans and advances to customers:	
Hong Kong	7,587
China	3,966
United States	3,017

Loans and advances to customers are on-balance sheet exposures of counterparties based on the location of the counterparties.

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollar, except ratios)

(iii) Impaired loans and advances to customers

Impaired Loans are identified in accordance with the definitions set out in the Return of Loans and Advances and Provision (Form MA(BS)2A) issued by HKMA, where loans and advances have been classified as "substandard", "doubtful" and "loss" are reported.

	As at Dec 31, 2023	**As at Jun 30, 2023**
The following countries or geographical segments have gross impaired loans and advances to customers:		
Asia Pacific	23	135
Western Europe	130	—
	153	135
Percentage of such loans and advances to the total loans and advances to customers	0.91%	0.83%

There were no specific provisions made for impaired loans and advances to customers.

There were no collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate.

Loans and advances to customers are on-balance sheet exposures of counterparties based on the location of the counterparties.

(iv) Impaired loans and advances to banks

Impaired Loans are identified in accordance with the definitions set out in the Return of Loans and Advances and Provision (Form MA(BS)2A) issued by HKMA, where loans and advances have been classified as "substandard", "doubtful" and "loss" are reported.

There were no impaired loans and advances to banks as at December 31, 2023 (June 30, 2023: Nil).

There were no specific provisions made for impaired loans and advances to banks.

There were no collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate.

III. Additional Balance Sheet Information (Continued)

(in millions of Hong Kong Dollars)

(v) The breakdown of gross amount of loans and advances to customers by industry sectors

	As at Dec 31, 2023	**As at Jun 30, 2023**
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Property development	—	547
Financial concerns	1,277	1,061
Stockbrokers	4,402	3,680
Wholesale and retail trade	286	242
Manufacturing	320	317
Transport and transport equipment	—	55
Information technology	4,626	4,874
Trade finance	5,575	5,088
Loans and advances for use outside Hong Kong	401	474
	16,887	16,338

Balance of loans and advances covered by collateral or other security as of December 31, 2023 was HK$286 million (June 30, 2023 was HK$561 million).

(vi) Overdue loans and advances to customers and banks

There were no overdue loans and advances to customers and banks as at December 31, 2023 (June 30, 2023: Nil).
There were no collateral held against overdue loans as at December 31, 2023 (June 30, 2023: Nil).
There were no specific provisions made on such overdue loans and advances as at December 31, 2023 (June 30, 2023: Nil).

(vii) There were no rescheduled loans and advances to customers and banks as at December 31, 2023 (June 30, 2023: Nil).

(viii) There were no overdue other assets (including trade bills and debt securities) as at December 31, 2023 (June 30, 2023: Nil).

(ix) There were no repossessed assets held as at December 31, 2023 (June 30, 2023: Nil).

(x) Other liabilities

	As at Dec 31, 2023	**As at Jun 30, 2023**
Accrued expenses and other accounts	7,815	8,643
Derivatives payables	88,034	135,558
	95,849	144,201

IV. International claims

(in millions of Hong Kong Dollars)

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Claims on individual countries and territories or areas, after risk transfer, amounting to 10% or more of the international claims are as follows:

	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at Dec 31, 2023						
Developed countries	101,523	—	542	4,532	—	106,597
of which: United States	*99,961*	*—*	*633*	*5,516*	*—*	*106,110*
Offshore centers	7,873	—	6,106	4,994	631	19,604
of which: Hong Kong	*7,360*	*—*	*5,344*	*4,611*	*631*	*17,946*
As at Jun 30, 2023						
Developed countries	73,471	—	400	6,184	—	80,055
of which: United States	*67,433*	*—*	*205*	*9,683*	*—*	*77,321*
Offshore centers	11,377	2	5,493	4,543	555	21,970
of which: Hong Kong	*9,057*	*2*	*4,428*	*6,563*	*555*	*20,605*

V. Non-Bank Mainland Exposures

(in millions of Hong Kong Dollars, excepts ratios)

The analysis of Non-Bank Mainland Exposures are identified in accordance with the definitions set out in MA(BS)20 Return of Mainland Activities issued by the HKMA.

As at Dec 31, 2023

Types of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	881	7,000	7,881
Local governments, local government-owned entities and their subsidiaries and JVs	—	117	117
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,134	5,429	6,563
Other entities of central governments	—	382	382
Other entities of local governments	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	438	78	516
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	5,210	903	6,113
Total	7,663	13,909	21,572
Total assets after provisions	255,737		
On-balance sheet exposures as percentage of total assets	3.39 %		

As at Jun 30, 2023

Types of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1,499	7,466	8,965
Local governments, local government-owned entities and their subsidiaries and JVs	—	144	144
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,780	8,826	10,606
Other entities of central governments	—	279	279
Other entities of local governments	—	—	—
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	181	78	259
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	3,946	598	4,544
Total	7,406	17,391	24,797
Total assets after provisions	257,134		
On-balance sheet exposures as percentage of total assets	2.88 %		

The exposures to companies outside Mainland where the funds are for use in Mainland were mainly trade finance facilities and commercial loans.

VI. Currency Risk

(in millions of Hong Kong Dollars)

The following is the summary of the major foreign currency exposures in accordance with the definitions set out in MA(BS)6 Return of Foreign Currency Position issued by the HKMA.

As at Dec 31, 2023	**INR**	**CNY**	**USD**	**JPY**	**TWD**
Currency positions					
Spot assets	1,053	37,790	127,121	5,507	7,673
Spot liabilities	(1,365)	(39,802)	(127,362)	(6,207)	(7,940)
Forward purchases	12,980	1,069,103	2,101,168	114,698	356,595
Forward sales	(11,863)	(1,065,660)	(2,097,047)	(116,907)	(362,317)
Net options position	1,678	674	(4,527)	1,557	(115)
Net long/(short) position including options	2,483	2,105	(647)	(1,352)	(6,104)

As at Jun 30, 2023	**INR**	**CNY**	**SGD**	**KRW**	**THB**	**TWD**
Currency positions						
Spot assets	1,150	59,465	1,932	14,436	339	4,696
Spot liabilities	(1,338)	(60,813)	(1,909)	(14,411)	(233)	(4,539)
Forward purchases	16,228	996,074	46,029	7,422	1,071	255,568
Forward sales	(16,002)	(995,242)	(45,449)	(7,979)	(1,824)	(260,128)
Net options position	1,775	1,234	—	(54)	—	(28)
Net long/(short) position including options	1,813	718	603	(586)	(647)	(4,431)

As at December 31, 2023, INR, CNY, USD, JPY and TWD (June 30, 2023: INR, CNY, SGD, KRW, THB and TWD) constitute 10% or more of the total net position in all foreign currencies.

There were no foreign currency net structural positions as at December 31, 2023 (June 30, 2023: Nil).

Net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

VII. Off-Balance Sheet Exposures

(in millions of Hong Kong Dollars)

	As at Dec 31, 2023	**As at Jun 30, 2023**
Contingent Liabilities and Commitments		
Direct credit substitutes	1,374	368
Trade-related contingencies	3,042	3,273
Other commitments	17,332	21,402
Derivatives		
Exchange rate-related derivative contracts	4,586,926	4,552,987
Interest rate derivative contracts	3,428,746	4,079,416
Others	60,569	59,477

For contingent liabilities and commitments, the contract amounts represent the amount at risk should the contract be fully drawn upon and the client default.

There were no forward forward deposits placed as at December 31, 2023 (June 30, 2023: Nil). For derivatives, the contract amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

	As at Dec 31, 2023		**As at Jun 30, 2023**	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Fair value of the off-balance sheet instruments				
Exchange rate-related derivative contracts	40,563	40,612	57,997	57,121
Interest rate derivative contracts	42,807	46,878	77,172	76,799
Others	826	544	830	1,638
	84,196	88,034	135,999	135,558

The contract amounts and fair values of the above derivatives do not take into account the effect of bilateral netting agreements.

VIII. Disclosure on remuneration

Remuneration policy

Governance and Oversight

JPMorgan Chase Bank N.A. – Hong Kong Branch (the "Branch") is part of the JPMorgan Chase & Co. group of companies ("The Firm"). As part of the Firm, the Branch is governed by the Firmwide compensation philosophy.

The Firm strongly believes that its Firmwide compensation philosophy and its implementation fosters proper governance and regulatory compliance. That philosophy is subject to independent oversight and control by the Compensation and Management Development Committee ("CMDC"), a committee of the board of J.P. Morgan Chase & Co, the ultimate parent company of the Firm.

The CMDC oversees the Firm's compensation programs throughout the year, which enables the Committee to be proactive in its compensation planning to address both current and emerging developments or challenges. Key committee responsibilities related to the compensation programs include but not limited to:

- Periodically reviewing and approving a statement of the Firm's compensation philosophy, principles and practices
- Reviewing the Firm's compensation practices and the relationship among risk, risk management and compensation (including safety and soundness and avoiding practices that could encourage excessive risk-taking)
- Adopting pay practices and approving any necessary formulas, performance metrics or pool calculations in compliance with applicable U.S. and global regulatory, statutory or governance requirements
- Reviewing and approving overall incentive compensation pools (including equity/cash mix)
- Reviewing and approving the design and terms of compensation awards, including recovery/clawback provisions

A Regional Remuneration Committee (the "Committee") has been established to provide oversight for the design and operation of the Branch's remuneration policies and system, including overseeing compliance of those policies with applicable remuneration guidelines.

In discharging its primary purpose, the Committee will uphold the interests of the Firm. In so doing, the Committee recognizes that the Firm's Board CMDC defines the Firm's compensation philosophy, and reviews and approves its overall incentive compensation pools.

Senior Management & Key Personnel

The Branch's remuneration policies set out the definition for Senior Management and Key Personnel. According to the remuneration policies, Senior Management are defined as those who are responsible for oversight of the Branch's firm-wide strategy or activities or those of the Branch's material business lines. Individuals designated as Senior Management in the Branch include Chief Executive, Alternate Chief Executive, Chief Risk Officer, Head of Internal Audit and Managers appointed under Section 72B of the Banking Ordinance, and Principally Responsible Person regime and other senior executives as required under local regulations. Key personnel comprises of all other designated material risk takers.

VIII. Disclosure on remuneration (continued)

Compensation philosophy

The Firm's Business Principles and culture are fundamental to the Firm's success in how the Firm does business over the long-term. Guided by these Business Principles, the Firm's compensation philosophy is fundamental to our goals of attracting, retaining and motivating the Firm's workforce in a competitive market. The Firm's compensation philosophy provides the guiding principles that drive compensation-related decisions. The key tenets of the Firm's compensation philosophy are:

- Paying for performance and aligning with shareholders' interests
- Encouraging a shared success culture
- Attracting and retaining top talent from all backgrounds
- Integrating risk management and compensation
- No special perquisites and non-performance based compensation
- Maintaining strong governance
- Transparency with shareholder

Link between Pay and Performance

The Firm uses a disciplined pay-for-performance framework to make decisions about the compensation of our employees, so that their compensation is commensurate with the overall performance of the Firm, their respective businesses, and their individual performance.

In accordance with our compensation philosophy, the Firm uses a balanced and holistic approach to assess performance throughout the year against four broad financial and non-financial performance dimensions:

- Business Results
- Risk, Controls and Conduct
- Client/Customer/Stakeholder
- Teamwork & Leadership

The Firm has specific expectations of performance under each dimension which differ depending on the employee's level and/or role. Demonstrating the expected behaviors consistent with the Firm's "How We Do Business" Principles and Code of Conduct is an important factor in the performance development process and these expectations are generally incorporated into these standard expectations which are available to employees in the Firm's performance development system. How We Do Business principles and practices should form a significant part of the overall assessment of employees each year. Qualitative performance considerations such as risk, control and conduct standards should be satisfactory overall for the role. For employees who have adverse performance in these principles and practices, managers should, where appropriate, override an employee's performance in business results, even where it is strong. Incentive compensation should be reduced or eliminated, as appropriate.

These four performance categories appropriately consider short-, and medium-term priorities that drive sustained shareholder value, while accounting for risk, controls and conduct outcomes. To promote a proper pay-for-performance alignment, the Firm does not assign relative weightings to these dimensions and also considers other relevant factors, including market practices. While there is no single performance dimension in isolation that determines compensation, a significant shortcoming in any one dimension may result in downward adjustments to employees' variable compensation, without limits.

Remuneration for the Control Functions is determined by reference to independent objectives and the incentive compensation allocations for these groups are managed separately from the line of business that the Control Functions cover.

VIII. Disclosure on remuneration (continued)

Compensation Structure

The Firm's disciplined pay-for-performance framework focuses on Total Compensation — base salary and incentive compensation.

Base Salary: Many factors can influence an employee's base salary, such as the role, experience level, market pay levels, location of the job and available talent. Base salary can be all, or a meaningful part, of an employee's Total Compensation, depending on the LOB/ function and the employee's role.

Annual Incentive Compensation: The Firm's Annual Incentive Compensation Plan is a discretionary compensation program that aligns with the key tenets included in the Firm's compensation philosophy. The plan serves to motivate and reward employees for delivering sustained results.

Incentive compensation is awarded in cash and/or equity. Generally, as employees become more senior or the impact of their role increases, a greater portion of incentive compensation is awarded in equity.

Equity-based awards (i.e., deferred compensation) generally take the form of Restricted Stock Units ("RSUs") that vest over multiple years. The Firm believes equity-based awards are important to:

- Aligning employee compensation with shareholder value creation
- Supporting the long-term safety and soundness of the Firm with provisions allowing for cancellation or clawback of awards when warranted

While the Firm expects incentive compensation to be paid and to vest according to terms, the Firm believes strong provisions that reward long-term, sustained value while permitting the recovery of incentive compensation (both cash and equity) are important to managing the Firm's businesses.

Strong Accountability and Recovery Provisions

The Firm's compensation program is designed to hold employees accountable, when appropriate, for meaningful actions or issues that negatively impact business performance or the Firm's reputation in current or future years. Risk, controls and conduct issues are therefore carefully considered throughout the Firm's performance development and incentive compensation processes.

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behaviour, the Firm has policies and procedures that enable it to take timely and proportionate actions with respect to accountable individuals, including:

- Reduce or altogether eliminate annual incentive compensation
- Cancel unvested awards (in full or in part)
- Clawback/Recover previously paid incentive compensation (cash and/or equity)
- Demotion, negative performance rating or other appropriate employment actions
- Termination of employment

The Firm has a framework in place that provides for recommended impacts to drive consistency. However, the precise actions the Firm may take with respect to accountable individuals, which may also include coaching and training in addition to the above, are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event, the impact on the Firm and local laws.

VIII. Disclosure on remuneration (continued)

Aggregate quantitative information on remuneration for senior management and key personnel for the year ended December 31, 2023 are as follows (expressed in US$'000 unless otherwise stated):

Remuneration amount and quantitative information		Senior Management	Key Personnel
Fixed remuneration	Number of employees	29	15
	Total fixed remuneration	**10,859**	**6,620**
	Of which: cash-based	10,859	6,620
	Of which: deferred	—	—
	Of which: shares or other share-linked instruments	—	—
	Of which: deferred	—	—
	Of which: other forms	—	—
	Of which: deferred	—	—
Variable remuneration	Number of employees	26	12
	Total variable remuneration	**26,989**	**15,486**
	Of which: cash-based	14,442	8,858
	Of which: deferred	—	77
	Of which: shares or other share-linked instruments	12,547	6,628
	Of which: deferred	12,547	6,628
	Of which: other forms	—	—
	Of which: deferred	—	—
Total remuneration		**37,848**	**22,106**

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management and Key personnel	—	—	—	—	—	—

VIII. Disclosure on remuneration (continued)

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	**37,331**	**37,331**	**—**	**7,698**	**9,838**
Cash	—	—	—	—	—
Shares	37,331	37,331	—	7,698	9,838
Cash-linked instruments	—	—	—	—	—
Other	—	—	—	—	—
Key personnel	**22,349**	**22,349**	**—**	**4,643**	**6,457**
Cash	—	—	—	—	—
Shares	22,349	22,349	—	4,643	6,457
Cash-linked instruments	—	—	—	—	—
Other	—	—	—	—	—
Total	**59,680**	**59,680**	**—**	**12,341**	**16,295**

Notes:

(1) The amounts described above include remuneration in respect of senior management and key personnel (as defined in the CG-5 Guideline on a Sound Remuneration System issued by the HKMA). Definition of Senior Management and Key Personnel follows the description stated above.

(2) Senior Management and Key Personnel may have responsibilities beyond Hong Kong and the Branch, as a result, do not perform services exclusively for the Branch.

(3) Employees transferred from/to other regions may receive location specific compensation component due to local regulation requirements.

(4) The disclosure for Senior Management and Key Personnel has been combined in categories of "guaranteed bonus awarded", sign-on awards made" and "severance payments awarded and/or made". If the number of beneficiaries is less than 4, the number will be separately disclosed to HKMA for confidentiality purposes.

(5) Total amount of outstanding deferred remuneration refers to the outstanding value as of December 31, 2023.

(6) Total amount of amendment during the year due to ex post implicit adjustments considers the Firm's stock price movement during the reporting period.

SECTION B: BANK INFORMATION (Consolidated Basis)

(in millions of US Dollars, except ratios)

The information set out below was based on the consolidated accounts of JPMorgan Chase & Co.

I. Capital and Capital Adequacy

	As at Dec 31, 2023	As at Jun 30, 2023
Capital adequacy ratio (*Note 1*)	18.5%	17.3%
Shareholders' funds	327,878	312,516

Note 1: The capital adequacy ratio of JPMorgan Chase & Co. is calculated based on the US Federal Reserve Board Risk-Based Capital guidelines, which comply with the Capital Accord of the Basel Committee on Banking Supervision ("Basel").

II. Other financial information

	As at Dec 31, 2023	As at Jun 30, 2023
Total assets	3,875,393	3,868,240
Total liabilities	3,547,515	3,555,724
Total loans and advances (net of allowance for loan losses)	1,301,286	1,278,089
Total customer deposits	2,400,688	2,398,962

	Year ended Dec 31, 2023	Year ended Dec 31, 2022
Pre-tax profit	61,612	46,166

Remarks: The annual report of JPMorgan Chase & Co. on April 8, 2024 has been used for disclosure purpose in this Section.

SECTION C: LIQUIDITY RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that JPMorgan Chase & Co. ("JPMC"), the Branch, will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

Liquidity Risk Management

The Liquidity Risk Management ("LRM") group within Chief Investment Office, Treasury, and Corporate ("CTC") Risk is part of the Independent Risk Management function, reporting to the CTC Chief Risk Officer who also serves as the Firmwide Risk Executive Liquidity Risk. LRM is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRM's responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators, including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing independent review of liquidity risk management processes;
- Monitoring and reporting internal firmwide and legal entity stress tests and regulatory defined metrics, as well as liquidity positions, balance sheet variances and funding activities; and
- Approving or escalating for review new or updated liquidity stress assumptions.

Risk Governance and Measurement

APAC Asset Liability Management ("ALM") Risk team which reports into Head of International ALM Risk is responsible for the Liquidity Risk Management for APAC legal entities. Regional liquidity risk oversight in Asia Pacific is governed by the APAC Risk Committee chaired by the APAC Chief Risk Officer.

The Hong Kong Risk/Asset & Liability Committee ("RALCO"), co-chaired by the Senior Financial Officer (SFO) and Chief Risk Officer (CRO), is responsible for providing oversight of liquidity risk at legal entity level and ensuring appropriate governance, controls and limits are in place.

As governed by the Hong Kong RALCO Term of Reference, where required, matters will be escalated from Hong Kong RALCO to Hong Kong Branch Committee or Asia Pacific Capital and Liquidity Committee or Asia Pacific Risk Committee.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

Internal Stress Testing

Liquidity stress tests are intended to ensure sufficient liquidity for the Branch under a variety of adverse scenarios. Results of stress tests are therefore considered in the formulation of the Branch's funding plan assessment of its liquidity position. Liquidity outflow assumptions are modeled across a range of time horizons and contemplate both market and idiosyncratic stress. Standard stress tests are performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns.

Liquidity stress tests assume all of the Branch's contractual obligations are met and take into consideration:

- Varying levels of access to unsecured and secured funding markets;
- Estimated non-contractual and contingent outflows; and
- Potential impediments to the availability and transferability of liquidity between jurisdictions and legal entities such as regulatory, legal, or other restrictions.

Contingency Funding Plan

The Firm's Contingency Funding Plan ("CFP") sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and incorporates liquidity risk limits, indicators and risk appetite tolerances that make up Liquidity Escalation Points. The CFP also identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities (including the Branch) in a period of stress. The Branch is an integral part of the firmwide CFP framework.

Treasury and Chief Investment Office ("CIO") maintains a country addendum to the firmwide CFP, which is reviewed and approved by the Hong Kong RALCO at least annually.

Liquidity Management

The primary objectives of the Firm's liquidity management are to:

- Ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

Liquidity Management (Continued)

In the context of the Firm's liquidity management, Treasury and CIO is responsible for:

- Analyzing and understanding the liquidity characteristics of the assets and liabilities of the Firm, lines of business and legal entities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, reporting and contingency funding plans;
- Managing liquidity within the Firm's approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting fund transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

I. Liquidity Ratios

	3 month's average of Q4 2023	**3 month's average of Q4 2022**
Average liquidity maintenance ratio	66.93 %	73.70 %
Average core funding ratio	279.42 %	218.80 %

The Branch was designated as the category 2A institution by the Hong Kong Monetary Authority and thus required to comply with all the calculation and disclosure requirements related to Core Funding Ratio in accordance with the Banking (Liquidity) Rules effective from January 1, 2018.

The Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR") are computed in accordance with Section 97H of the Banking Ordinance. The average LMR and average CFR are the arithmetic mean of the average value for each calendar month of the reporting period in accordance with the Banking (Liquidity) Rules.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars)

II. Maturity Analysis

The table below analyses the Branch's on-and off-balance sheet into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

As at Dec 31, 2023	Repayable on demand	Up to 1 month	Over 1 month - 3 months	Over 3 months - 12 months	Over 1 year - 5 years	Over 5 years	Undated	Total
Total On-balance sheet assets (*Note 2*)	329,312	881,802	833,139	945,821	366,582	59,300	6,095	226,452
Total Off-balance sheet claims	98	—	—	—	—	—	—	98
Total On-balance sheet liabilities (*Note 2*)	325,754	883,486	831,852	944,913	359,020	77,535	1,207	226,452
Total Off-balance sheet obligations	4,727	59	39	—	—	—	—	4,825
Contractual maturity mismatch	(1,071)	(1,743)	1,248	908	7,562	(18,235)	—	
Cumulative contractual maturity mismatch	(1,071)	(2,814)	(1,566)	(658)	6,904	(11,331)	—	

As at Dec 31, 2022	Repayable on demand	Up to 1 month	Over 1 month - 3 months	Over 3 months - 12 months	Over 1 year - 5 years	Over 5 years	Undated	Total
Total On-balance sheet assets (*Note 2*)	229,936	635,105	785,432	968,359	505,467	125,517	8,145	304,806
Total Off-balance sheet claims	—	—	—	—	—	—	—	—
Total On-balance sheet liabilities (*Note 2*)	224,393	632,511	785,342	959,009	489,724	165,487	2,239	304,806
Total Off-balance sheet obligations	4,811	—	—	—	—	—	—	4,811
Contractual maturity mismatch	732	2,594	90	9,350	15,743	(39,970)	—	
Cumulative contractual maturity mismatch	732	3,326	3,416	12,766	28,509	(11,461)	—	

Note 2: Derivative contracts reported under the total column represents fair values not the cash flow as shown in each time bucket.

SECTION C: LIQUIDITY RISK MANAGEMENT (Continued)

(in millions of Hong Kong Dollars, except ratios)

III. Source of Funding

	As at Dec 31, 2023		As at Dec 31, 2022	
Significant funding instruments	**Total amount**	**As % of total liabilities**	**Total amount**	**As % of total liabilities**
Funding raised from connected parties	46,620	20.65 %	58,778	19.41 %
Funding raised from banks	4,571	2.02 %	2,960	0.98 %
Deposits from customers	47,435	21.01 %	26,199	8.65 %

There was no concentration limits on collateral pools as of December 31, 2023 (December 31, 2022: Nil).

Remarks: The HKMA Return on Liquidity Monitoring Tools (Form MA(BS)23) as at December 31, 2023 and December 31, 2022 have been used for disclosure purpose for Maturity Analysis and Source of Funding in this section.